

**Prosperity Dielectrics Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
Prosperity Dielectrics Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Prosperity Dielectrics Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As described in Note 13 to the consolidated financial statements, the financial statements of certain investments accounted for using the equity method were not reviewed by independent accountants. As of June 30, 2022, total investments accounted for using the equity method amounted to NT\$48,850 thousand, and the total share of loss of the associates accounted for using the equity method for the three months ended June 30, 2022 and for the six months ended June 30, 2022 amounted to NT\$1,089 thousand and NT\$1,823 thousand, respectively. In addition, the related information about certain investments disclosed in Note 33 to the consolidated financial statements was also not reviewed by independent accountants.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and 2021, and its consolidated financial performance for the three months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Yi-Min Huang and Chin-Chuan Shih.



Deloitte and Touche
Taipei, Taiwan
Republic of China

August 4, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors’ review report and consolidated financial statements shall prevail.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	June 30, 2022 (Reviewed)		December 31, 2021 (Audited)		June 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 1,912,787	22	\$ 1,312,198	14	\$ 1,516,047	17
Financial assets at fair value through profit or loss - current (Note 7)	368,867	4	532,066	6	410,446	5
Financial assets at amortized cost - current (Note 8)	79,599	1	262,697	3	159,003	2
Notes receivable from unrelated parties (Note 9)	30,936	-	50,882	1	28,358	-
Trade receivables from unrelated parties (Note 9)	822,480	9	743,018	8	1,046,348	12
Trade receivables from related parties (Note 28)	282,119	3	335,976	4	303,451	3
Other receivables from unrelated parties	32,085	-	34,979	-	45,902	1
Other receivables from related parties (Note 28)	12,692	-	12,019	-	12,764	-
Inventories (Note 10)	785,598	9	820,570	9	753,832	8
Other current assets	40,836	1	53,403	1	43,655	-
Total current assets	4,367,999	49	4,157,808	46	4,319,806	48
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Note 12)	1,106,032	13	1,607,074	18	1,540,654	17
Financial assets at amortized cost - non-current (Note 8)	147,362	2	43,476	1	172,618	2
Investments accounted for using the equity method (Note 13)	832,253	9	834,223	9	654,515	7
Property, plant and equipment (Note 14)	2,149,558	24	2,218,674	24	2,070,342	23
Right-of-use assets (Note 15)	204,380	2	176,410	2	179,339	2
Computer software	9,276	-	7,221	-	1,277	-
Deferred tax assets (Note 4)	38,187	1	34,151	-	34,250	1
Other non-current assets	9,607	-	7,079	-	7,056	-
Total non-current assets	4,496,655	51	4,928,308	54	4,660,051	52
TOTAL	\$ 8,864,654	100	\$ 9,086,116	100	\$ 8,979,857	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Trade payables to unrelated parties	\$ 368,859	4	\$ 389,564	4	\$ 459,637	5
Trade payables to related parties (Note 28)	116,819	1	163,591	2	455,056	5
Other payables to unrelated parties (Note 17)	846,768	10	712,642	8	701,309	8
Other payables to related parties (Note 28)	21,138	-	22,259	-	38,370	1
Current tax liabilities (Note 4)	111,530	1	137,270	2	104,855	1
Lease liabilities - current (Note 15)	35,784	1	25,573	-	27,724	-
Current portion of long-term borrowings (Note 16)	149,167	2	8,333	-	-	-
Other current liabilities	12,266	-	16,157	-	17,685	-
Total current liabilities	1,662,331	19	1,475,389	16	1,804,636	20
NON-CURRENT LIABILITIES						
Long-term borrowings (Note 16)	678,896	8	817,656	9	764,851	8
Deferred tax liabilities (Note 4)	165,307	2	178,518	2	142,833	2
Lease liabilities - non-current (Note 15)	172,242	2	154,131	2	153,861	2
Deferred revenue - non-current (Note 17)	6,938	-	9,011	-	10,149	-
Net defined benefit liabilities - non-current (Note 4)	34,424	-	51,391	1	46,928	1
Guarantee deposits	23,553	-	25,234	-	26,882	-
Total non-current liabilities	1,081,360	12	1,235,941	14	1,145,504	13
Total liabilities	2,743,691	31	2,711,330	30	2,950,140	33
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)						
Share capital						
Ordinary shares	1,720,000	20	1,720,000	19	1,720,000	19
Capital surplus	498,708	6	498,548	5	498,522	6
Retained earnings						
Legal reserve	624,924	7	509,861	6	430,775	5
Special reserve	67,764	1	67,764	1	67,764	-
Unappropriated earnings	2,885,737	32	2,829,865	31	2,598,369	29
Total retained earnings	3,578,425	40	3,407,490	38	3,096,908	34
Other equity						
Exchange differences on the translation of the financial statements of foreign operations	(64,329)	(1)	(116,523)	(1)	(123,449)	(1)
Unrealized gain on financial assets at fair value through other comprehensive income	442,530	5	919,642	10	892,107	10
Total other equity	378,201	4	803,119	9	768,658	9
Treasury shares	(54,371)	(1)	(54,371)	(1)	(54,371)	(1)
Total equity attributable to owners of the Company	6,120,963	69	6,374,786	70	6,029,717	67
Total equity	6,120,963	69	6,374,786	70	6,029,717	67
TOTAL	\$ 8,864,654	100	\$ 9,086,116	100	\$ 8,979,857	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated August 4, 2022)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
NET SALES (Note 23)	\$ 1,172,467	100	\$ 1,628,471	100	\$ 2,445,873	100	\$ 3,089,077	100
COST OF SALES (Note 10)	<u>854,685</u>	<u>73</u>	<u>1,185,828</u>	<u>73</u>	<u>1,783,423</u>	<u>73</u>	<u>2,299,022</u>	<u>74</u>
GROSS PROFIT	<u>317,782</u>	<u>27</u>	<u>442,643</u>	<u>27</u>	<u>662,450</u>	<u>27</u>	<u>790,055</u>	<u>26</u>
OPERATING EXPENSES								
Selling and marketing expenses	37,263	3	43,941	3	72,359	3	85,360	3
General and administrative expenses	34,711	3	40,553	2	70,854	3	82,609	3
Research and development expenses	<u>23,373</u>	<u>2</u>	<u>21,261</u>	<u>1</u>	<u>43,117</u>	<u>2</u>	<u>39,920</u>	<u>1</u>
Total operating expenses	<u>95,347</u>	<u>8</u>	<u>105,755</u>	<u>6</u>	<u>186,330</u>	<u>8</u>	<u>207,889</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>222,435</u>	<u>19</u>	<u>336,888</u>	<u>21</u>	<u>476,120</u>	<u>19</u>	<u>582,166</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES								
Interest income	4,388	-	3,856	-	9,480	-	7,408	-
Dividend income	13,139	1	-	-	13,139	1	-	-
Other income	5,534	1	5,197	-	10,843	-	9,316	-
Gain on disposal of property, plant and equipment	10	-	3,068	-	340	-	3,282	-
Gain on disposal of investments	521	-	-	-	17,807	1	9	-
Foreign exchange gain	23,797	2	-	-	55,000	2	-	-
Gain on valuation of financial assets at FVTPL	-	-	-	-	-	-	19,841	1
Gain on reversal of impairment loss	1,503	-	1,697	-	3,005	-	3,214	-
Share of profit of associates accounted for using the equity method (Note 13)	-	-	1,592	-	568	-	19,456	-
Interest expense	(3,180)	-	(2,354)	-	(5,688)	-	(4,714)	-
Miscellaneous expenses	(8,410)	(1)	(4,493)	-	(9,253)	-	(6,192)	-
Foreign exchange loss	-	-	(14,309)	(1)	-	-	(3,266)	-
Loss on valuation of financial assets at FVTPL	(34,387)	(3)	(37,486)	(2)	(68,948)	(3)	-	-
Share of loss of associates accounted for using the equity method (Note 13)	<u>(545)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>2,370</u>	<u>-</u>	<u>(43,232)</u>	<u>(3)</u>	<u>26,293</u>	<u>1</u>	<u>48,354</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	224,805	19	293,656	18	502,413	20	630,520	20
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(46,366)</u>	<u>(4)</u>	<u>(76,239)</u>	<u>(5)</u>	<u>(104,862)</u>	<u>(4)</u>	<u>(141,555)</u>	<u>(4)</u>
NET PROFIT FOR THE PERIOD	<u>178,439</u>	<u>15</u>	<u>217,417</u>	<u>13</u>	<u>397,551</u>	<u>16</u>	<u>488,965</u>	<u>16</u>

(Continued)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME (Note 19)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	\$ (199,919)	(17)	\$ 213,614	13	\$ (334,875)	(13)	\$ 336,147	11
Share of the other comprehensive loss of associates accounted for using the equity method	(15,941)	(1)	(8,444)	-	(24,634)	(1)	(1,600)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on the translation of the financial statements of foreign operations	(13,313)	(1)	(19,478)	(1)	51,110	2	(2,185)	-
Share of the other comprehensive (loss) income of associates accounted for using the equity method	(401)	-	(167)	-	1,084	-	(241)	-
Other comprehensive (loss) income for the period	(229,574)	(19)	185,525	12	(307,315)	(12)	332,121	11
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ (51,135)	(4)	\$ 402,942	25	\$ 90,236	4	\$ 821,086	27
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	\$ 178,439	15	\$ 217,278	13	\$ 397,551	16	\$ 488,099	16
Non-controlling interests	-	-	139	-	-	-	866	-
	\$ 178,439	15	\$ 217,417	13	\$ 397,551	16	\$ 488,965	16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	\$ (51,135)	(4)	\$ 402,849	25	\$ 90,236	4	\$ 819,908	27
Non-controlling interests	-	-	93	-	-	-	1,178	-
	\$ (51,135)	(4)	\$ 402,942	25	\$ 90,236	4	\$ 821,086	27
EARNINGS PER SHARE (Note 22)								
Basic	\$ 1.04		\$ 1.27		\$ 2.32		\$ 2.84	
Diluted	\$ 1.04		\$ 1.27		\$ 2.31		\$ 2.84	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated August 4, 2022)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company											
	Share Capital		Capital Surplus	Retained Earnings			Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Number of Shares (In Thousands)	Share Capital		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2021	172,000	\$ 1,720,000	\$ 497,066	\$ 430,775	\$ 69,489	\$ 2,102,322	\$ (185,087)	\$ 577,039	\$ -	\$ 5,211,604	\$ 40,575	\$ 5,252,179
Reversal of special reserve appropriated at the first-time adoption of IFRSs	-	-	-	-	(1,725)	1,725	-	-	-	-	-	-
Net profit for the six months ended June 30, 2021	-	-	-	-	-	488,099	-	-	-	488,099	866	488,965
Other comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	-	(2,738)	334,547	-	331,809	312	332,121
Total comprehensive income for the six months ended June 30, 2021	-	-	-	-	-	488,099	(2,738)	334,547	-	819,908	1,178	821,086
Disposal of subsidiaries (Note 24)	-	-	-	-	-	(13,256)	64,376	-	-	51,120	-	51,120
Difference between consideration and carrying amount of subsidiaries acquired (Note 25)	-	-	1,456	-	-	-	-	-	-	1,456	(41,753)	(40,297)
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	19,479	-	(19,479)	-	-	-	-
Buy-back of ordinary shares (Note 19)	-	-	-	-	-	-	-	-	(54,371)	(54,371)	-	(54,371)
BALANCE AT JUNE 30, 2021	172,000	\$ 1,720,000	\$ 498,522	\$ 430,775	\$ 67,764	\$ 2,598,369	\$ (123,449)	\$ 892,107	\$ (54,371)	\$ 6,029,717	\$ -	\$ 6,029,717
BALANCE AT JANUARY 1, 2022	172,000	\$ 1,720,000	\$ 498,548	\$ 509,861	\$ 67,764	\$ 2,829,865	\$ (116,523)	\$ 919,642	\$ (54,371)	\$ 6,374,786	\$ -	\$ 6,374,786
Change in capital surplus from investments in associates accounted for using the equity method	-	-	160	-	-	(219)	-	-	-	(59)	-	(59)
Appropriation of 2021 earnings (Note 19)												
Legal reserve	-	-	-	115,063	-	(115,063)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(344,000)	-	-	-	(344,000)	-	(344,000)
Net profit for the six months ended June 30, 2022	-	-	-	-	-	397,551	-	-	-	397,551	-	397,551
Other comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	-	52,194	(359,509)	-	(307,315)	-	(307,315)
Total comprehensive income for the six months ended June 30, 2022	-	-	-	-	-	397,551	52,194	(359,509)	-	90,236	-	90,236
Disposal of investments in equity instruments designated as at fair value through other comprehensive income (Note 19)	-	-	-	-	-	117,603	-	(117,603)	-	-	-	-
BALANCE AT JUNE 30, 2022	172,000	\$ 1,720,000	\$ 498,708	\$ 624,924	\$ 67,764	\$ 2,885,737	\$ (64,329)	\$ 442,530	\$ (54,371)	\$ 6,120,963	\$ -	\$ 6,120,963

The accompanying notes are an integral part of the consolidated financial statements

(With Deloitte & Touche review report dated August 4, 2022)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 502,413	\$ 630,520
Adjustments for:		
Depreciation expense	227,502	194,600
Amortization expense	2,884	2,143
Net loss (gain) on valuation of financial assets at FVTPL	68,948	(19,841)
Interest expense	5,688	4,714
Interest income	(9,480)	(7,408)
Dividend income	(13,139)	-
Share of gain of associates accounted for using the equity method	(568)	(19,456)
Gain on disposal of property, plant and equipment	(340)	(3,282)
Gain on disposal of investments	(17,807)	(9)
Impairment loss (Reversal of impairment loss) of non-financial assets	1,596	(21,307)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets mandatorily classified as at fair value through profit or loss	112,058	(75,367)
Decrease in notes receivable from unrelated parties	19,946	31,867
Increase in trade receivables from unrelated parties	(79,462)	(318,837)
Decrease (increase) in trade receivables from related parties	53,857	(145,494)
Decrease in other receivables from unrelated parties	11,520	6,151
Decrease in other receivables from related parties	414	14,519
Decrease (increase) in inventories	30,371	(149,111)
Decrease in other current assets	12,567	5,748
Increase in other non-current assets	(3,693)	-
(Decrease) increase in trade payables to unrelated parties	(20,705)	85,845
(Decrease) increase in trade payables to related parties	(46,772)	117,052
(Decrease) increase in other payables to unrelated parties	(76,677)	14,352
Increase (decrease) in other payables to related parties	6,026	(12,365)
Decrease in other current liabilities	(3,682)	(11,149)
Decrease in net defined benefit liabilities	(16,967)	(1,182)
Cash generated from operations	766,498	322,703
Interest received	13,993	6,813
Interest paid	(5,514)	(4,720)
Income tax paid	(147,849)	(65,199)
Net cash generated from operating activities	<u>627,128</u>	<u>259,597</u>

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PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (80,000)	\$ -
Disposal of financial assets at fair value through other comprehensive income	246,167	42,758
Purchase of financial assets at amortized cost	(147,362)	-
Disposal of financial assets at amortized cost	226,574	110,972
Purchase of investments accounted for using the equity methods	(7,179)	-
Net cash inflow on disposal of subsidiaries (Note 24)	-	356,845
Payments for property, plant and equipment	(277,057)	(364,505)
Proceeds from disposal of property, plant and equipment	406	7,820
(Increase) decrease in refundable deposits	(765)	4,761
Acquisition of intangible assets	<u>(3,000)</u>	<u>-</u>
Net cash (used in) generated from investing activities	<u>(42,216)</u>	<u>158,651</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	-	(20,000)
(Refund of) proceeds from guaranteed deposits received	(1,681)	5,990
Repayment of the principal portion of lease liabilities	(17,061)	(14,167)
Payments for buy-back of ordinary shares	-	(54,371)
Decrease in non-controlling interests	<u>-</u>	<u>(40,297)</u>
Net cash used in financing activities	<u>(18,742)</u>	<u>(122,845)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>34,419</u>	<u>(2,584)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	600,589	292,819
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,312,198</u>	<u>1,223,228</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,912,787</u>	<u>\$ 1,516,047</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated August 4, 2022)

(Concluded)

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

Prosperity Dielectrics Co., Ltd. (PDC or the “Company”) was incorporated on May 21, 1990. The Company mainly manufactures, processes and sells multilayer ceramic capacitors (MLCC), chip resistors, ceramic dielectric powders and magnetic elements.

The Company’s shares have been listed on the mainboard of the Taipei Exchange (TPEX) since April 19, 2002. The parent company, Walsin Technology Corporation, held 43.13% of the common shares of the Company as of June 30, 2022 and 2021.

The consolidated financial statements of the Company and its subsidiaries (collectively known as the “Group”) are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on August 4, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Tables 5 and 6 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 when making its critical accounting estimates on cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 668	\$ 494	\$ 433
Checking accounts and demand deposits	892,616	536,711	596,239
Cash equivalents (investments with original maturities of 3 months or less)			
Time deposits	391,855	255,866	328,981
Repurchase agreements collateralized by bonds	<u>627,648</u>	<u>519,127</u>	<u>590,394</u>
	<u>\$ 1,912,787</u>	<u>\$ 1,312,198</u>	<u>\$ 1,516,047</u>

The market rate intervals of cash equivalents were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with original maturities of 3 months or less	1%-1.85%	1.1%-2.4%	0.125%-2.35%
Repurchase agreements collateralized by bonds	0.33%-0.45%	0.23%-0.24%	0.2%-0.28%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets mandatorily classified as at <u>FVTPL - current</u>			
Non-derivative financial assets			
Domestic listed shares	\$ 288,423	\$ 389,047	\$ 367,292
Mutual funds	35,995	56,934	-
Government bonds	<u>44,449</u>	<u>86,085</u>	<u>43,154</u>
	<u>\$ 368,867</u>	<u>\$ 532,066</u>	<u>\$ 410,446</u>

The realized exchange loss from operating derivative financial products for the three months ended June 30, 2022 and for the six months ended June 30, 2022 both amounted to \$85 thousand. The amount was presented in foreign exchange loss.

8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months (a)	\$ 74,900	\$ 247,885	\$ 116,808
Restricted deposits (b)	<u>4,699</u>	<u>14,812</u>	<u>42,195</u>
	<u>\$ 79,599</u>	<u>\$ 262,697</u>	<u>\$ 159,003</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year (a)	\$ -	\$ 43,476	\$ 172,618
Corporate bonds - TSMC Arizona Corp. (c)	89,081	-	-
Corporate bonds - Amazon.com, Inc. (c)	<u>58,281</u>	<u>-</u>	<u>-</u>
	<u>\$ 147,362</u>	<u>\$ 43,476</u>	<u>\$ 172,618</u>

- a. The ranges of interest rates for time deposits with original maturities of more than 3 months and 1 year were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits with original maturities of more than 3 months	1.175%-4.125%	0.8%-3.15%	0.8%-2.25%
Time deposits with original maturities of more than 1 year	-	4.125%	3.15%-4.125%

- b. These foreign currency deposits are repatriated and held in a special account in accordance with the regulations stipulated in “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”.

- c. The corporate bonds held by the Group at the balance sheet date were as follows:

Period	Face Value	Range of Coupon Rate	Range of Effective Interest Rate
April 2022	USD5,000,000	3.3%-3.875%	3.7563%-3.8992%

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Notes receivable from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 30,936	\$ 50,882	\$ 28,358
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>	<u> -</u>
	<u>\$ 30,936</u>	<u>\$ 50,882</u>	<u>\$ 28,358</u>
<u>Trade receivables from unrelated parties</u>			
At amortized cost			
Gross carrying amount	\$ 846,888	\$ 767,367	\$ 1,070,755
Less: Allowance for impairment loss	<u>(24,408)</u>	<u>(24,349)</u>	<u>(24,407)</u>
	<u>\$ 822,480</u>	<u>\$ 743,018</u>	<u>\$ 1,046,348</u>

The average credit period of sales of goods is 0 to 120 days. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for notes receivable and trade receivables at an amount equal to lifetime ECLs. The expected credit losses on notes receivable and trade receivables are estimated by reference to the past default experience of the customers and the customers' current financial positions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the Group determines the expected credit loss rate only by reference to the past due days of notes receivable and accounts receivable.

The Group writes off a note receivable or trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and trade receivables based on the customers' past default experience and current financial positions:

June 30, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	\$ 855,933	\$ 18,770	\$ 9	\$ 480	\$ 2,632	\$ -	\$ 877,824
Loss allowance (Lifetime ECLs)	<u>(22,056)</u>	<u>(939)</u>	<u>(1)</u>	<u>(96)</u>	<u>(1,316)</u>	<u>-</u>	<u>(24,408)</u>
Amortized cost	<u>\$ 833,877</u>	<u>\$ 17,831</u>	<u>\$ 8</u>	<u>\$ 384</u>	<u>\$ 1,316</u>	<u>\$ -</u>	<u>\$ 853,416</u>

December 31, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	\$ 797,549	\$ 11,350	\$ 7,894	\$ 204	\$ 1,252	\$ -	\$ 818,249
Loss allowance (Lifetime ECLs)	<u>(22,326)</u>	<u>(567)</u>	<u>(789)</u>	<u>(41)</u>	<u>(626)</u>	<u>-</u>	<u>(24,349)</u>
Amortized cost	<u>\$ 775,223</u>	<u>\$ 10,783</u>	<u>\$ 7,105</u>	<u>\$ 163</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 793,900</u>

June 30, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	91 to 180 Days Past Due	Over 180 Days Past Due	Total
Expected credit loss rate	1%-4%	5%	10%	20%	50%	100%	
Gross carrying amount	\$ 1,085,577	\$ 13,352	\$ -	\$ 152	\$ 32	\$ -	\$ 1,099,113
Loss allowance (Lifetime ECLs)	<u>(23,693)</u>	<u>(668)</u>	<u>-</u>	<u>(30)</u>	<u>(16)</u>	<u>-</u>	<u>(24,407)</u>
Amortized cost	<u>\$ 1,061,884</u>	<u>\$ 12,684</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 16</u>	<u>\$ -</u>	<u>\$ 1,074,706</u>

The movements of the loss allowance of notes receivable and trade receivables were as follows:

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 24,349	\$ 24,410
Foreign exchange differences	<u>59</u>	<u>(3)</u>
Balance at June 30	<u>\$ 24,408</u>	<u>\$ 24,407</u>

10. INVENTORIES

	June 30, 2022	December 31, 2021	June 30, 2021
Finished goods	\$ 231,934	\$ 246,345	\$ 196,954
Semi-finished goods	104,855	74,745	60,965
Work in progress	109,558	128,389	168,032
Raw materials	321,825	362,538	324,636
Inventory in transit	<u>17,426</u>	<u>8,553</u>	<u>3,245</u>
	<u>\$ 785,598</u>	<u>\$ 820,570</u>	<u>\$ 753,832</u>

The nature of the cost of goods sold is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Cost of inventories sold	\$ 854,214	\$ 1,202,890	\$ 1,778,822	\$ 2,317,115
Inventory write-downs (reversed)	<u>471</u>	<u>(17,062)</u>	<u>4,601</u>	<u>(18,093)</u>
	<u>\$ 854,685</u>	<u>\$ 1,185,828</u>	<u>\$ 1,783,423</u>	<u>\$ 2,299,022</u>

The reversal of inventory write-downs is due to the removal of the inventory that was previously recognized as inventory write-downs.

11. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		
			June 30, 2022	December 31, 2021	June 30, 2021
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited	Investment holding	100	100	100
Prosperity Dielectrics Co., Ltd.	Frontec International Corporation	Overseas investment	100	100	100
PDC Prime Holdings Limited	PDC Success Investments Ltd.	Investment holding	100	100	100
PDC Prime Holdings Limited	Frontier Components Co., Limited	International trade	100	100	100
PDC Prime Holdings Limited	Prosperity International Development (HK) Co., Limited	Investment holding	100	100	100
PDC Success Investments Ltd.	PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic components and ceramic materials	100	100	100
Frontec International Corporation	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling chip components, power electronic devices and new electronic components	100	100	100 (Note 1)
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Selling of electronic components	100	100	100
Dongguan Frontier Electronics Co., Ltd.	Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling chip components, power electronic devices and new electronic components	100	100	100 (Note 2)

Note 1: In May 2021, Frontec International Corporation acquired 30% of the shares of Prosperity Frontier Electronics (Shenzhen) Co., Ltd. from the third party.

Note 2: Prosperity Frontier Electronics (Guangzhou) Co., Ltd. was established in May 2021.

The financial statements of the above-mentioned subsidiaries included in the consolidated financial statements have been reviewed for the six months ended June 30, 2022 and 2021 and have been audited for the year ended December 31, 2021.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Non-current</u>			
Domestic investments - listed shares	\$ 893,078	\$ 1,448,999	\$ 1,371,840
Domestic investments - unlisted shares	<u>212,954</u>	<u>158,075</u>	<u>168,814</u>
	<u>\$ 1,106,032</u>	<u>\$ 1,607,074</u>	<u>\$ 1,540,654</u>

Investments in Equity Instruments at FVTOCI

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Non-current</u>			
Domestic investments - listed shares			
Walton Advanced Engineering Inc.	\$ 389,369	\$ 601,608	\$ 596,821
Walsin Lihwa Corporation	252,350	185,500	205,100
HannStar Board Corporation	179,403	257,342	269,813
Singatron Enterprise Co., Ltd.	6,021	329,642	255,988
APAQ Technology Co., Ltd.	36,285	44,857	44,118
Fubon Financial Holding Co., Ltd. Preferred Shares C	29,650	30,050	-
Domestic investments - unlisted shares			
Chin-Xin Investment Co., Ltd.	134,151	158,075	168,814
Hwa Bao Botanic Conservation Corp.	<u>78,803</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,106,032</u>	<u>\$ 1,607,074</u>	<u>\$ 1,540,654</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In June 2022, the Group paid \$80,000 thousand to subscribed new shares for cash issued by Hwa Bao Botanic Conservation Corp., and its interest in Hwa Bao Botanic Conservation Corp. is 10%.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	June 30, 2022	December 31, 2021	June 30, 2021
Chongqing Shuohong Investment Co., Ltd.	\$ 595,445	\$ 580,006	\$ 441,028
Chongqing Xincheng Electronics Co., Ltd.	45,907	44,730	44,287
GHPW Enterprise Corporation (HK) Limited	63,472	62,330	57,274
Tsai Yi Corporation (Before the name changed in June 2022, it was Walsin Color Corporation)	78,579	104,364	111,926
Joyin Co., Ltd.	<u>48,850</u>	<u>42,793</u>	<u>-</u>
	<u>\$ 832,253</u>	<u>\$ 834,223</u>	<u>\$ 654,515</u>

Share of (loss) profit of associates for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 was summarized as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Chongqing Shuohong Investment Co., Ltd.	\$ (120)	\$ 2	\$ 3,106	\$ (1,354)
Chongqing Xincheng Electronics Co., Ltd.	438	485	226	18,801
GHPW Enterprise Corporation (HK) Limited	(90)	(169)	(207)	(328)
Tsai Yi Corporation	316	1,274	(734)	2,337
Joyin Co., Ltd.	<u>(1,089)</u>	<u>-</u>	<u>(1,823)</u>	<u>-</u>
	<u>\$ (545)</u>	<u>\$ 1,592</u>	<u>\$ 568</u>	<u>\$ 19,456</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Chongqing Shuohong Investment Co., Ltd.	20.43%	20.43%	20.43%
Chongqing Xincheng Electronics Co., Ltd.	13.04%	13.04%	13.04%
GHPW Enterprise Corporation (HK) Limited	10%	10%	10%
Tsai Yi Corporation	3.36%	3.36%	3.36%
Joyin Co., Ltd.	4.02%	4.09%	-

Even though PDC holds less than 20% of the voting rights each in Chongqing Xincheng Electronics Co., Ltd., GHPW Enterprise Corporation (HK) Limited, Tsai Yi Corporation and Joyin Co., Ltd., its parent company, Walsin Technology Corporation, exercises significant influence over those companies; therefore, they are accounted for using the equity method.

In January 2022, the Group subscribed new shares for cash issued by Joyin Co., Ltd. at a percentage different from its existing ownership percentage, and reduced its continuing interest from 4.09% to 4.02%.

Refer to Table 5 “Information on Investments” and Table 6 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries of incorporation of the associates.

Except for Joyin Co., Ltd., the share of profit or loss and other comprehensive income of the investments in associates accounted for using the equity method for the six months ended June 30, 2022 and 2021 was recognized based on the associates’ financial statements reviewed by independent accountants for the same periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Other Equipment	Property under Construction and Prepayments for Equipment	Total
Cost							
Balance at January 1, 2021	\$ 302,220	\$ 1,112,664	\$ 2,520,276	\$ 48,992	\$ 221,077	\$ 82,493	\$ 4,287,722
Additions	-	19	4,129	-	33	443,648	447,829
Disposals	-	(3,076)	(54,455)	-	(407)	(3,270)	(61,208)
Disposal of subsidiaries	-	(194,692)	(274,304)	(11,254)	(16,187)	(504)	(496,941)
Effect of foreign currency exchange differences	-	508	585	22	33	(24)	1,124
Reclassifications	-	34,356	262,431	2,326	11,763	(329,637)	(18,761)
Balance at June 30, 2021	<u>\$ 302,220</u>	<u>\$ 949,779</u>	<u>\$ 2,458,662</u>	<u>\$ 40,086</u>	<u>\$ 216,312</u>	<u>\$ 192,706</u>	<u>\$ 4,159,765</u>
Accumulated depreciation and impairment							
Balance at January 1, 2021	\$ -	\$ 657,748	\$ 1,432,022	\$ 28,848	\$ 168,753	\$ -	\$ 2,287,371
Depreciation expenses	-	41,011	127,207	3,179	8,174	-	179,571
Disposals	-	(3,076)	(53,187)	-	(407)	-	(56,670)
Disposal of subsidiaries	-	(66,899)	(238,162)	(8,412)	(11,803)	-	(325,276)
Reversals of impairment losses	-	(2,697)	(517)	-	-	-	(3,214)
Effects of foreign currency exchange differences	-	166	465	14	33	-	678
Reclassifications	-	5,702	309	-	952	-	6,963
Balance at June 30, 2021	<u>\$ -</u>	<u>\$ 631,955</u>	<u>\$ 1,268,137</u>	<u>\$ 23,629</u>	<u>\$ 165,702</u>	<u>\$ -</u>	<u>\$ 2,089,423</u>
Carrying amount at June 30, 2021	<u>\$ 302,220</u>	<u>\$ 317,824</u>	<u>\$ 1,190,525</u>	<u>\$ 16,457</u>	<u>\$ 50,610</u>	<u>\$ 192,706</u>	<u>\$ 2,070,342</u>
Cost							
Balance at January 1, 2022	\$ 302,220	\$ 1,025,510	\$ 2,824,847	\$ 46,650	\$ 234,853	\$ 114,906	\$ 4,548,986
Additions	-	1	1,939	-	-	134,599	136,539
Disposals	-	(149)	(5,052)	(82)	(4,637)	-	(9,920)
Effect of foreign currency exchange differences	-	4,131	5,964	34	835	8	10,972
Reclassifications	-	13,934	143,308	3,566	6,448	(161,246)	6,010
Balance at June 30, 2022	<u>\$ 302,220</u>	<u>\$ 1,043,427</u>	<u>\$ 2,971,006</u>	<u>\$ 50,168</u>	<u>\$ 237,499</u>	<u>\$ 88,267</u>	<u>\$ 4,692,587</u>
Accumulated depreciation and impairment							
Balance at January 1, 2022	\$ -	\$ 671,534	\$ 1,457,043	\$ 26,705	\$ 175,030	\$ -	\$ 2,330,312
Depreciation expenses	-	44,408	152,411	3,367	10,082	-	210,268
Disposals	-	(149)	(4,986)	(82)	(4,637)	-	(9,854)
Reversals of impairment losses	-	(3,005)	-	-	-	-	(3,005)
Effects of foreign currency exchange differences	-	3,469	4,036	30	807	-	8,342
Reclassifications	-	6,010	-	-	956	-	6,966
Balance at June 30, 2022	<u>\$ -</u>	<u>\$ 722,267</u>	<u>\$ 1,608,504</u>	<u>\$ 30,020</u>	<u>\$ 182,238</u>	<u>\$ -</u>	<u>\$ 2,543,029</u>
Carrying amount at June 30, 2022	<u>\$ 302,220</u>	<u>\$ 321,160</u>	<u>\$ 1,362,502</u>	<u>\$ 20,148</u>	<u>\$ 55,261</u>	<u>\$ 88,267</u>	<u>\$ 2,149,558</u>

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	15-41 years
Electrical mechanical and power equipment	2-21 years
Engineering system	2-25 years
Others	2-35 years
Machinery and equipment	2-12 years
Office equipment	3-5 years
Other equipment	2-10 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021	
<u>Carrying amount</u>				
Land	\$ 153,771	\$ 163,960	\$ 164,975	
Buildings	49,720	11,200	13,063	
Transportation equipment	<u>889</u>	<u>1,250</u>	<u>1,301</u>	
	<u>\$ 204,380</u>	<u>\$ 176,410</u>	<u>\$ 179,339</u>	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Additions of right-of-use assets	<u>\$ 32,919</u>	<u>\$ 6,734</u>	<u>\$ 45,238</u>	<u>\$ 6,734</u>
Depreciation charge for right-of-use assets				
Land	\$ 5,184	\$ 4,979	\$ 10,366	\$ 9,968
Buildings	3,463	2,496	6,638	4,819
Transportation equipment	<u>115</u>	<u>139</u>	<u>230</u>	<u>242</u>
	<u>\$ 8,762</u>	<u>\$ 7,614</u>	<u>\$ 17,234</u>	<u>\$ 15,029</u>

Except for the recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets for the six months ended June 30, 2022 and 2021.

b. Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Carrying amount</u>			
Current	\$ 35,784	\$ 25,573	\$ 27,724
Non-current	<u>\$ 172,242</u>	<u>\$ 154,131</u>	<u>\$ 153,861</u>

The discount rates of lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Land	1%	1%	1%
Buildings	1%	1%	1%
Transportation equipment	1%	1%	1%

16. BORROWINGS

	June 30, 2022	December 31, 2021	June 30, 2021
E.SUN Commercial Bank			
Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.			
Loan period			
2019.12.26-2024.12.15	\$ 198,477	\$ 197,980	\$ 197,491
2020.04.09-2024.12.15	99,238	98,990	98,746
2020.07.09-2025.06.15	79,196	78,996	78,802
2020.08.07-2025.06.15	98,995	98,746	98,502
2021.11.09-2025.06.15	59,397	59,247	-
Taishin International Bank			
Line of credit borrowings: The loan limit is NT\$600,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 2 years before the maturity date.			
Loan period			
2019.12.10-2024.12.10	99,280	99,033	98,789
2020.04.29-2024.12.10	99,280	99,033	98,789
First Commercial Bank			
Line of credit borrowings: The loan limit is NT\$900,000 thousand. Repayment of the principal will be made in 24 equal monthly payments starting 36 months after the first disbursement date.			
Loan period			
2020.03.02-2025.03.02	94,200	93,964	93,732
Less: Current portion	<u>(149,167)</u>	<u>(8,333)</u>	<u>-</u>
Long-term borrowings	<u>\$ 678,896</u>	<u>\$ 817,656</u>	<u>\$ 764,851</u>
Interest rate	0.825%-0.975%	0.45%-0.6%	0.45%-0.6%

17. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Payables expense	\$ 375,096	\$ 418,547	\$ 391,654
Payables for purchases of equipment	102,030	235,401	276,921
Payables for dividends	344,500	500	500
Payables for annual leave	7,252	7,362	9,684
Payables for remuneration of directors and employee bonuses	<u>17,890</u>	<u>50,832</u>	<u>22,550</u>
	<u>\$ 846,768</u>	<u>\$ 712,642</u>	<u>\$ 701,309</u>
<u>Non-current</u>			
Deferred revenue Arising from government grants	<u>\$ 6,938</u>	<u>\$ 9,011</u>	<u>\$ 10,149</u>

18. PROVISIONS

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Current</u>			
Employee benefits (presented in other payables)	<u>\$ 7,252</u>	<u>\$ 7,362</u>	<u>\$ 9,684</u>

The provision for employee benefits represents the accrual of employees' vested service leave entitlement.

19. EQUITY

a. Share capital

Common shares

	June 30, 2022	December 31, 2021	June 30, 2021
Authorized shares (in thousands of shares)	<u>220,000</u>	<u>220,000</u>	<u>220,000</u>
Authorized capital	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>
Issued and paid shares (in thousands of shares)	<u>172,000</u>	<u>172,000</u>	<u>172,000</u>
Issued capital	<u>\$ 1,720,000</u>	<u>\$ 1,720,000</u>	<u>\$ 1,720,000</u>

Shares issued with par value of \$10 carry one vote per share and the right to dividends.

b. Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note 1)			
Issuance of common shares	\$ 402,192	\$ 402,192	\$ 402,192
Conversion of bonds	55,484	55,484	55,484
Treasury share transactions	28,889	28,889	28,889
Difference between consideration and carrying amount of subsidiaries acquired	1,456	1,456	1,456
<u>May only be used to offset a deficit</u>			
Share of changes in capital surplus of associates accounted for using the equity method	<u>10,687</u>	<u>10,527</u>	<u>10,501</u>
	<u>\$ 498,708</u>	<u>\$ 498,548</u>	<u>\$ 498,522</u>

Note 1: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in PDC's articles of incorporation (the "Articles"), where PDC made a profit in a fiscal year, the profit shall be first used to offset losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals PDC's paid-in capital. After setting aside or reversing a special reserve in accordance with the law and regulations, additional appropriations may be made to the special reserve depending on business needs. Any remaining profit together with any undistributed retained earnings shall be used by PDC's board of directors as the basis of proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of the compensation of employees and remuneration of directors, refer to compensation of employees and remuneration of directors and in Note 20-b.

In addition to the distribution of dividends in accordance with the Articles, cash dividends are limited to 50% of the total dividends distributed. The remaining retained earnings shall be distributed in the form of share dividends. However, should the Company obtain sufficient funds to meet its capital requirements during the current year, the cash distribution ratio can be raised to 100%. The Company should decide on the most appropriate dividend distribution policy and the form of payment based on the current year's actual operating condition, taking into consideration the following year's capital budget plans.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for the years ended December 31, 2021 and 2020 which were approved in the shareholders' meetings on June 14, 2022 and July 6, 2021, respectively, were as follows:

	For the Year Ended December 31	
	2021	2020
Legal reserve	\$ 115,063	\$ 79,086
Cash dividends	344,000	344,000
Cash dividends per share (NT\$)	2	2

d. Special reserve

The movements of the special reserve were as follows:

	For the Six Months Ended June 30	
	2022	2021
Balance at January 1	\$ 67,764	\$ 69,489
Reversals		
Disposal of subsidiaries	-	(1,725)
Balance at June 30	<u>\$ 67,764</u>	<u>\$ 67,764</u>

On the first-time adoption of IFRSs, a proportionate share of special reserve relating to exchange differences on translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Group's disposal of foreign operations; on the Group's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses; the reversed amount may be distributed.

e. Other equity items

The movements of other equity items were as follows:

	For the Six Months Ended June 30, 2022		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
Balance at January 1	\$ (116,523)	\$ 919,642	\$ 803,119
Exchange differences on the translation of the net assets of foreign operations	51,110	-	51,110
Unrealized gain on investments in equity instruments at FVTOCI	-	(334,875)	(334,875)
Share from associates accounted for using the equity method	1,084	(24,634)	(23,550)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	(117,603)	(117,603)
Balance at June 30	<u>\$ (64,329)</u>	<u>\$ 442,530</u>	<u>\$ 378,201</u>

	For the Six Months Ended June 30, 2021		
	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain/(Loss) on Financial Assets at FVTOCI	Total
Balance at January 1	\$ (185,087)	\$ 577,039	\$ 391,952
Exchange differences on the translation of the net assets of foreign operations	(2,497)	-	(2,497)
Unrealized gain on investments in equity instruments at FVTOCI	-	336,147	336,147
Share from associates accounted for using the equity method	(241)	(1,600)	(1,841)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	(19,479)	(19,479)
Disposal of foreign operations	<u>64,376</u>	<u>-</u>	<u>64,376</u>
Balance at June 30	<u>\$ (123,449)</u>	<u>\$ 892,107</u>	<u>\$ 768,658</u>

f. Treasury shares

1) Movements of the treasury shares for the six months ended June 30, 2022 were as follows:

Unit: In Thousands of Shares

	For the Six Months Ended June 30, 2022			
Purpose of Buy-back	Number of Shares at January 1, 2022	Increase During the Period	Decrease During the Period	Number of Shares at June 30, 2022
Shares transferred to employees	<u>800</u>	<u>-</u>	<u>-</u>	<u>800</u>

	For the Six Months Ended June 30, 2021			
Purpose of Buy-back	Number of Shares at January 1, 2021	Increase During the Period	Decrease During the Period	Number of Shares at March 31, 2021
Shares transferred to employees	<u>-</u>	<u>800</u>	<u>-</u>	<u>800</u>

2) As of June 30, 2022 and 2021, the amount of PDC's treasury shares was \$54,371 thousand.

3) The buy-back shares shall be transferred to employees at one time or in installments within 5 years from the date of purchase. All employees of the Company and employees of the Company's subsidiaries in which the Company directly or indirectly holds more than 50% of the voting shares on the subscription date are eligible to subscribe.

- 4) The Securities and Exchange Act stipulates that the proportion of the number of shares that a company can buy back must not exceed 10% of the company's total issued shares. The total amount of shares purchased must not exceed retained earnings plus the amount of issued share premium and realized capital surplus. For the six months ended June 30, 2022 and 2021, the Company held a maximum of 800 thousand shares as treasury shares, and the total amount of shares purchased was \$54,371 thousand, which complies with the provisions of the Securities and Exchange Act.
- 5) Treasury shares held by PDC shall not be pledged in accordance with the provisions of the Securities and Exchange Act, and shall not enjoy shareholder rights.

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

- a. The employee benefits expense, depreciation and amortization incurred in the current period are summarized according to their functions as follows:

	For the Three Months Ended June 30					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 120,102	\$ 45,799	\$ 165,901	\$ 127,402	\$ 52,974	\$ 180,376
Labor/health insurance	11,595	3,388	14,983	10,697	2,896	13,593
Pension	4,018	1,171	5,189	3,547	1,070	4,617
Other employee benefits	7,061	1,364	8,425	6,937	1,372	8,309
Depreciation	106,651	7,750	114,401	89,568	7,220	96,788
Amortization	1,025	350	1,375	800	270	1,070

	For the Six Months Ended June 30					
	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Short-term employee benefits						
Salaries and wages	\$ 238,172	\$ 82,245	\$ 320,417	\$ 247,500	\$ 90,007	\$ 337,507
Labor/health insurance	22,218	6,058	28,276	24,088	6,370	30,458
Pension	7,988	2,251	10,239	6,928	2,162	9,090
Other employee benefits	14,091	2,775	16,866	14,683	2,967	17,650
Depreciation	212,002	15,500	227,502	179,816	14,784	194,600
Amortization	2,156	728	2,884	1,603	540	2,143

The number of employees of the Group as of June 30, 2022 and 2021 was 962 and 901, respectively.

b. Compensation of employees and remuneration of directors

According to the Company's Articles, PDC accrues compensation of employees and remuneration of directors and at rates of 2%-10% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The estimated compensation of employees and remuneration of directors and for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
<u>Accrual rate</u>				
Compensation of employees	2.5%	2.6%	2.5%	2.6%
Remuneration of directors	1%	1%	1%	1%
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
<u>Amount</u>				
Compensation of employees	\$ 5,550	\$ 7,826	\$ 12,779	\$ 16,107
Remuneration of directors	\$ 2,218	\$ 3,131	\$ 5,111	\$ 6,443

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The compensation of employees and remuneration of directors and supervisors for the years ended December 31, 2021 and 2020, which were approved by the Company's board of directors and paid on February 22, 2022 and February 25, 2021, respectively, are as follows. The differences were adjusted to profit and loss for the years ended December 31, 2022 and 2021.

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Compensation of employees				
Amounts approved in the board of directors' meeting	\$ 36,309	\$ -	\$ 24,772	\$ -
Actual amounts paid	36,303	-	24,743	-
Remuneration of directors and supervisors				
Amounts approved in the board of directors' meeting	14,523	-	9,909	-
Actual amounts paid	14,523	-	9,909	-

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES

a. Income tax expense recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current year	\$ 66,980	\$ 76,239	\$ 125,476	\$ 141,555
Adjustment for the prior year	<u>(20,614)</u>	<u>-</u>	<u>(20,614)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 46,366</u>	<u>\$ 76,239</u>	<u>\$ 104,862</u>	<u>\$ 141,555</u>

In July 2019, the president of the ROC announced “The Management, Utilization, and Taxation of Repatriated Offshore Funds Act”, which allowed the decrease in tax rate from 20% to 8%-10% for enterprises that applied and repatriated funds from August 15, 2019 to August 14, 2021. The repatriated funds shall be deposited in restricted foreign currency deposit accounts, and the tax will be deducted from the receiving bank once the funds are deposited.

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. PDC’s income tax returns through 2020 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

Earnings per share for the six months ended June 30, 2022 and 2021 are as follows:

	For the Six Months Ended June 30, 2022		
	Amount (In Thousands) After Income Tax	Number of Shares	Earnings Per Share (In Dollars) After Income Tax
Basic earnings per share			
Amount after income tax attributable to owners of the Company	\$ 397,551	171,200,000	<u>\$ 2.32</u>
Effect of potentially dilutive common shares - employee share options	<u>-</u>	<u>529,489</u>	
Diluted earnings per share			
Amount after income tax attributable to owners of the Company and effect of potentially dilutive common shares	<u>\$ 397,551</u>	<u>171,729,489</u>	<u>\$ 2.31</u>

Since the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

23. OPERATING REVENUE

Disaggregation of revenue based on customer segments by geographical region

Region	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Asia	\$ 980,987	\$ 1,472,810	\$ 2,060,270	\$ 2,778,350
America	133,036	81,272	260,387	169,442
Europe	58,139	74,121	124,856	140,712
Other	<u>305</u>	<u>268</u>	<u>360</u>	<u>573</u>
	<u>\$ 1,172,467</u>	<u>\$ 1,628,471</u>	<u>\$ 2,445,873</u>	<u>\$ 3,089,077</u>

The customer's location of operations is the basis for calculating the disaggregation of revenue based on customer segments by geographical region.

24. DISPOSAL OF SUBSIDIARIES

In order to focus on its core technologies and strengthen its competitiveness, the Company's board of directors approved to sell 100% of its share capital in Hunan Frontier Electronics Co., Ltd. to INPAQ Technology (Suzhou) Co., Ltd. at the price of RMB 94,800 thousand on January 27, 2021. The transaction price was based on the latest audited financial statements and appraisal report, and the independent expert has issued reasonableness opinion of the price. Registration transfer and payment of shares have been completed in April and May 2021. The transaction was an organizational restructuring and did not affect the profit or loss, and the Group chose not to recompile the consolidated financial statements for the prior period.

- a. Consideration received from disposals

	Hunan Frontier Electronics Co., Ltd.
Consideration received in cash and cash equivalents	<u>\$ 409,726</u>

b. Analysis of assets and liabilities on the date control was lost

	Hunan Frontier Electronics Co., Ltd.
Current assets	
Cash and cash equivalents	\$ 52,881
Financial assets at amortized cost - current	64,830
Trade receivables	101,082
Other receivables	1,032
Inventories	52,236
Other current assets	4,416
Non-current assets	
Property, plant and equipment	171,665
Right-of-use assets	1,932
Refundable deposits	1
Current liabilities	
Trade payables	(46,424)
Other payables	(40,253)
Current tax liabilities	(1,866)
Other current liabilities	(2,749)
Non-current liabilities	
Guarantee deposits received	<u>(177)</u>
Net assets disposed of	<u>\$ 358,606</u>

c. Loss on disposal of subsidiary

	Hunan Frontier Electronics Co., Ltd.
Consideration received	\$ 409,726
Net assets disposed of	(358,606)
Accumulated exchange differences from the reclassification of the subsidiaries' net assets from equity to profit or loss due to loss of control of subsidiaries	<u>(64,376)</u>
Retained earnings	<u>\$ (13,256)</u>

The loss of \$13,256 thousand from disposal of Hunan Frontier Electronics Co., Ltd. was recognized in May 2021. The transaction was an organizational restructuring; therefore, it did not affect the profit or loss and was presented as deduction of the retained earnings.

d. Net cash inflow on disposals of subsidiary

	Hunan Frontier Electronics Co., Ltd.
Consideration received in cash and cash equivalents	\$ 409,726
Less: Cash and cash equivalent balance disposed of	<u>(52,881)</u>
	<u>\$ 356,845</u>

25. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On May 21, 2021, the Group subscribed for 30% of the equity of Prosperity Frontier Electronics (Shenzhen) Co., Ltd., and increased its continuing interest from 70% to 100%.

The above transactions was accounted for as equity transaction, since the Group did not cease to have control over this subsidiary.

	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.
Consideration paid	\$ (40,297)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>41,753</u>
Difference recognized from equity transactions	<u>\$ 1,456</u>
	Prosperity Frontier Electronics (Shenzhen) Co., Ltd.
<u>Line items adjusted for equity transactions</u>	
Capital surplus - difference between consideration paid and the carrying amount of the subsidiaries' net assets during actual acquisition	<u>\$ 1,456</u>

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group have the essential financial resources and operating plans to meet the needs of working capital, capital expenditures, research and development expenses, debt repayment and dividend expenditures in the next 12 months.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments that are not measured at fair value

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximate fair values. There were no major differences between the carrying amounts and fair values as of June 30, 2022, December 31, 2021 and June 30, 2021.

2) Fair value of financial instruments that are measured at fair value on a recurring basis

June 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 288,423	\$ -	\$ -	\$ 288,423
Mutual funds	35,995	-	-	35,995
Government bonds	<u>-</u>	<u>44,449</u>	<u>-</u>	<u>44,449</u>
	<u>\$ 324,418</u>	<u>\$ 44,449</u>	<u>\$ -</u>	<u>\$ 368,867</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 893,078	\$ -	\$ -	\$ 893,078
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>212,954</u>	<u>212,954</u>
	<u>\$ 893,078</u>	<u>\$ -</u>	<u>\$ 212,954</u>	<u>\$ 1,106,032</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 389,047	\$ -	\$ -	\$ 389,047
Mutual funds	56,934	-	-	56,934
Government bonds	<u>-</u>	<u>86,085</u>	<u>-</u>	<u>86,085</u>
	<u>\$ 445,981</u>	<u>\$ 86,085</u>	<u>\$ -</u>	<u>\$ 532,066</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,448,999	\$ -	\$ -	\$ 1,448,999
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>158,075</u>	<u>158,075</u>
	<u>\$ 1,448,999</u>	<u>\$ -</u>	<u>\$ 158,075</u>	<u>\$ 1,607,074</u>

June 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 367,292</u>	<u>\$ 43,154</u>	<u>\$ -</u>	<u>\$ 410,446</u>
Financial assets at FVTOCI				
Domestic listed shares	\$ 1,371,840	\$ -	\$ -	\$ 1,371,840
Domestic unlisted shares	<u>-</u>	<u>-</u>	<u>168,814</u>	<u>168,814</u>
	<u>\$ 1,371,840</u>	<u>\$ -</u>	<u>\$ 168,814</u>	<u>\$ 1,540,654</u>

There were no transfers between Levels 1 and 2 for the six months ended June 30, 2022 and 2021.

3) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Government bonds	Determined by quoted market prices provided by third party pricing services.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities were determined using the market approach or asset-based approach. The significant unobservable inputs are the liquidity discount of multiplier of price-book ratio and value of net assets. An increase in the price-book ratio would result in an increase in the fair value. An increase in the liquidity discount would result in a decrease in the fair value.

b. Categories of financial instruments

	June 30, 2022	December 31, 2021	June 30, 2021
<u>Financial assets</u>			
FVTPL			
Mandatorily classified as at FVTPL	\$ 368,867	\$ 532,066	\$ 410,446
Financial assets at amortized cost (Note 1)	3,324,260	2,798,680	3,287,867
Financial assets at FVTOCI			
Equity instruments	1,106,032	1,607,074	1,540,654
<u>Financial liabilities</u>			
Amortized cost (Note 2)	2,205,200	2,139,279	2,446,105

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term borrowings, trade payables, other payables, long-term borrowings and guarantee deposits received.

c. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, borrowings, trade receivables and trade payables. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group utilizes derivatives based on the procedures for the handling of derivative financial instrument transactions, which had been approved by the board of directors, to hedge against foreign currency risk. The internal auditor reviews compliance with policies and risk limits on an ongoing basis.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group's exposure to market risk in financial instruments and its management and measurement of such exposure has not changed since the last period.

a) Foreign currency risk

The Group manages the risk of exchange rate fluctuations arising from foreign currency transactions by using forward exchange contracts to the extent permitted by the regulations governing the procedures for the handling of derivative financial instrument transactions.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the period are set out in Note 32.

	USD Impact		RMB Impact	
	For the Six Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Profit or loss	\$ 42,321	\$ 23,698	\$ 12,848	\$ 27,525
Equity	1,904	1,718	19,241	14,559

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the period for a 3% change in foreign currency rates. A positive number indicates an decrease in post-tax profit and equity associated with the New Taiwan dollar strengthening 3% against the relevant currency. For a 3% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and positive impact on post-tax profit and equity.

b) Interest rate risk

The Group was exposed to interest rate risk arising from both fixed and floating interest rate deposits, and repurchase agreements collateralized by bonds and borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the period were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Cash flow interest rate risk			
Financial assets	\$ 1,241,765	\$ 1,066,354	\$ 1,208,801
Financial liabilities	828,063	825,989	764,851

The Group's sensitivity analysis of interest rate risk mainly focuses on changes in the fair value of the financial assets and liabilities at fixed interest rate at the end of the reporting period. If interest rates were lower by 1% and all other variables were held constant, the Group's variable-rate financial assets for the six months ended June 30, 2022 and 2021 would have resulted in cash outflows by \$4,137 thousand and \$4,440 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group.

The management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group's working capital is sufficient to meet its obligations; therefore, there is no liquidity risk arising from the inability to raise funds to meet its contractual obligations.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods:

June 30, 2022

	Less than 1 Year	2-3 Years	3+ Years	Total
Non-interest bearing	\$ 1,377,137	\$ -	\$ -	\$ 1,377,137
Variable interest rate liabilities	149,167	678,896	-	828,063
Lease liabilities	<u>35,784</u>	<u>64,036</u>	<u>108,206</u>	<u>208,026</u>
	<u>\$ 1,562,088</u>	<u>\$ 742,932</u>	<u>\$ 108,206</u>	<u>\$ 2,413,226</u>

December 31, 2021

	Less than 1 Year	2-3 Years	3+ Years	Total
Non-interest bearing	\$ 1,313,290	\$ -	\$ -	\$ 1,313,290
Variable interest rate liabilities	8,333	749,832	67,824	825,989
Lease liabilities	<u>25,573</u>	<u>46,713</u>	<u>107,418</u>	<u>179,704</u>
	<u>\$ 1,347,196</u>	<u>\$ 796,545</u>	<u>\$ 175,242</u>	<u>\$ 2,318,983</u>

June 30, 2021

	Less than 1 Year	2-3 Years	3+ Years	Total
Non-interest bearing	\$ 1,681,254	\$ -	\$ -	\$ 1,681,254
Variable interest rate liabilities	-	526,981	237,870	764,851
Lease liabilities	<u>27,724</u>	<u>43,305</u>	<u>110,556</u>	<u>181,585</u>
	<u>\$ 1,708,978</u>	<u>\$ 570,286</u>	<u>\$ 348,426</u>	<u>\$ 2,627,690</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, refer to Table 4. Details of transactions between the Group and other related parties are disclosed as follows.

<u>Related Party Name</u>	<u>Related Party Category</u>
Walsin Technology Corporation	Parent company
Dongguan Walsin Technology Electronics Co., Ltd.	Sister company
Dongguan Huafai Trading Co., Ltd.	Sister company
Pan Overseas (Guangzhou) Electronic Co., Ltd.	Sister company
Walsin Technology Corporation (HK) Limited	Sister company
Kamaya Electric (M) Sdn. Bhd.	Sister company
INPAQ Technology Co., Ltd.	Sister company
INPAQ Technology (Suzhou) Co., Ltd.	Sister company
Taiwan INPAQ Electronics Co., Ltd.	Sister company
INPAQ Technology (China) Co., Ltd.	Sister company
Hunan Frontier Electronics Co., Ltd.	Sister company (subsidiary before April 2021)
Tsai Yi Corporation	Associate
Joyin Co., Ltd.	Associate
Hwa Bao Botanic Conservation Corp.	Other related party
Walsin Lihwa Corporation	Other related party
Falcon Automation Equipment Corporation	Other related party
Info-Tek Corp.	Other related party
VVG Inc.	Other related party
Global Brands Manufacture Ltd.	Other related party
PSA Charitable Foundation	Other related party
PSA VVG Culture and Arts Foundation	Other related party

Transactions

Transactions between the Group and other related parties for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 are disclosed as follows.

Related Party Category	Sales of Goods			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Parent company	\$ 260,911	\$ 261,408	\$ 561,976	\$ 434,482
Sister companies	44,310	149,152	100,819	284,862
Other related parties	<u>117</u>	<u>202</u>	<u>191</u>	<u>434</u>
	<u>\$ 305,338</u>	<u>\$ 410,762</u>	<u>\$ 662,986</u>	<u>\$ 719,778</u>

Related Party Category/Name	Purchases of Goods			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Parent company	\$ 112,475	\$ 147,903	\$ 264,342	\$ 328,776
Sister companies				
Dongguan Walsin Technology Electronics Co., Ltd.	69,804	241,767	171,270	435,530
Others	<u>13,106</u>	<u>59,984</u>	<u>21,777</u>	<u>63,504</u>
	<u>82,910</u>	<u>301,751</u>	<u>193,047</u>	<u>499,034</u>
	<u>\$ 195,385</u>	<u>\$ 449,654</u>	<u>\$ 457,389</u>	<u>\$ 827,810</u>

The selling prices between the Group and related parties were not significantly different from that of general transactions. The collection terms of general transactions are within 0 to 120 days. The collection terms of related parties were not significantly different from that of general customers. Among them, trade receivables (payables) of Walsin Technology Corporation are directly offset by its respective counterparty's trade receivables (payables), and the remaining receivables are collected (paid) under the usual collection (payment) terms.

The prices of the purchase transactions between the Group and related parties were not significantly different from that of general transactions, and the payment terms of general transactions are within 30 to 120 days. The payment terms of related parties were not significantly different from that of general suppliers.

Related Party Category/Name	Acquisition of Assets			
	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Other related party				
Falcon Automation Equipment Corporation	\$ <u>(2,716)</u>	\$ <u>45,013</u>	\$ <u>24,934</u>	\$ <u>81,972</u>

Related Party Category	Disposal of Assets			
	For the Three Months Ended		For the Six Months Ended	
	June 30, 2021		June 30, 2021	
	Proceeds	Gain (Loss) on Disposal	Proceeds	Gain (Loss) on Disposal
Sister companies	\$ <u>7,606</u>	\$ <u>3,262</u>	\$ <u>7,606</u>	\$ <u>3,262</u>

Lease arrangement as lessee

Item	Related Party Category	June 30, 2022	December 31, 2021	June 30, 2021
Lease liabilities	Parent company	\$ 32,330	\$ 2,559	\$ 5,641
	Sister companies	5,265	5,796	5,724
	Other related party	<u>11,576</u>	<u>12,333</u>	<u>-</u>
		<u>\$ 49,171</u>	<u>\$ 20,688</u>	<u>\$ 11,365</u>

Item	Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2022	2021	2022	2021
		Interest expense	Parent company	\$ 27	\$ 16
	Sister companies	14	5	28	5
	Other related parties	<u>29</u>	<u>-</u>	<u>59</u>	<u>-</u>
		<u>\$ 70</u>	<u>\$ 21</u>	<u>\$ 118</u>	<u>\$ 39</u>
Rental expense	Parent company	\$ 436	\$ 14	\$ 866	\$ 27
	Sister companies	<u>61</u>	<u>52</u>	<u>122</u>	<u>104</u>
		<u>\$ 497</u>	<u>\$ 66</u>	<u>\$ 988</u>	<u>\$ 131</u>

Lease agreement as lessor

Lease income was summarized as follows:

Related Party Category	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
	Parent company	\$ 751	\$ 632	\$ 1,495
Sister companies	34	42	74	84
Associates	11	11	23	23
Other related parties	<u>620</u>	<u>621</u>	<u>1,241</u>	<u>1,241</u>
	<u>\$ 1,416</u>	<u>\$ 1,306</u>	<u>\$ 2,833</u>	<u>\$ 2,698</u>

At the end of the period, the remaining balances were as follows:

Related Party Category/Name	Trade Receivables			Trade Payables		
	June 30, 2022	December 31, 2021	June 30, 2021	June 30, 2022	December 31, 2021	June 30, 2021
	Parent company	\$ 194,392	\$ 194,407	\$ 118,761	\$ -	\$ -
Sister companies						
Dongguan Walsin Technology Electronics Co., Ltd.	20,354	63,415	108,098	97,500	143,765	366,116
INPAQ Technology (Suzhou) Co., Ltd.	60,044	66,913	62,536	-	-	-
Others	<u>7,161</u>	<u>11,241</u>	<u>13,822</u>	<u>19,319</u>	<u>19,826</u>	<u>88,940</u>
Other related parties	87,559	141,569	184,456	116,819	163,591	455,056
	<u>168</u>	<u>-</u>	<u>234</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 282,119</u>	<u>\$ 335,976</u>	<u>\$ 303,451</u>	<u>\$ 116,819</u>	<u>\$ 163,591</u>	<u>\$ 455,056</u>
Related Party Category	Other Receivables			Other Payables		
	June 30, 2022	December 31, 2021	June 30, 2021	June 30, 2022	December 31, 2021	June 30, 2021
	Parent company	\$ -	\$ 9,871	\$ -	\$ 2,039	\$ -
Sister companies	97	1,517	11,422	1,681	677	619
Associates	752	12	752	-	-	-
Other related parties	<u>11,843</u>	<u>619</u>	<u>590</u>	<u>17,418</u>	<u>21,582</u>	<u>35,043</u>
	<u>\$ 12,692</u>	<u>\$ 12,019</u>	<u>\$ 12,764</u>	<u>\$ 21,138</u>	<u>\$ 22,259</u>	<u>\$ 38,370</u>

Other receivables are the uncollected amounts from the Group's lease income, dividend income, selling of raw materials, and the collections and payments on behalf of others.

Other payables are the payments that have not been made for the acquisition of equipment and the collections and payments on behalf of others.

The remaining trade payables - related parties were not guaranteed and would be paid off by cash; trade receivables - related parties were also not guaranteed. There was no bad debt expense for trade receivables - related parties as of June 30, 2022, December 31, 2021 and June 30, 2021.

Equity transactions

Refer to Notes 12, 13 and 24.

Remuneration of key management personnel

Remuneration of the board of directors and other key management personnel for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021 were as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2022	2021	2022	2021
Short-term employee benefits	\$ 3,153	\$ 2,381	\$ 39,244	\$ 20,666
Post-employment benefits	<u>54</u>	<u>27</u>	<u>108</u>	<u>54</u>
	<u>\$ 3,207</u>	<u>\$ 2,408</u>	<u>\$ 39,352</u>	<u>\$ 20,720</u>

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group at the end of the reporting period were as follows:

a. Significant unrecognized commitments

Unrecognized commitments were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Acquisition of property, plant and equipment	<u>\$ 336,078</u>	<u>\$ 442,617</u>	<u>\$ 206,470</u>

b. Contingencies

As of June 30, 2022, outstanding letters of credit of the Group were summarized as follows:

	Unit: Dollars	
Currency	Carrying Amount	Deposits Paid
JPY	JPY 188,300,000	JPY -

As of December 31, 2021, outstanding letters of credit of the Group were summarized as follows:

	Unit: Dollars	
Currency	Carrying Amount	Deposits Paid
USD	US\$ 36,600	US\$ -
JPY	JPY 387,628,000	JPY -

As of June 30, 2021, outstanding letters of credit of the Group were summarized as follows:

Unit: Dollars				
Currency	Carrying Amount		Deposits Paid	
USD	US\$	262,300	US\$	-

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In order to strengthen the competitiveness of its products and provide diverse services to its customers, the Group intends to consolidate its shareholdings of Joyin Co., Ltd. At June 17, 2022, the Group's board of directors resolved to acquire the equity shares of Joyin Co., Ltd. at \$317,092 thousand and \$55,357 thousand, from INPAQ Technology Co., Ltd. and Walsin Technology Corporation, respectively. The transaction will be completed in July, and after the acquisition of the shares, the Group's interest in Joyin Co., Ltd. will increase from 4.02% to 30.4%.

31. OTHER ITEMS

Despite the impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan, some of the operations of the subsidiaries located in China were temporarily suspended because of the lockdown and shut-down control measures imposed by the local government. Currently, all of the subsidiaries have resumed operations.

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between the foreign currencies and their respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 52,172	29.726	\$ 1,550,865	\$ 33,764	27.69	\$ 934,925	\$ 49,007	27.87	\$ 1,365,825
RMB	122,215	4.44	542,635	191,361	4.3476	831,961	223,073	4.3155	962,672
<u>Non-monetary items</u>									
Investments accounted for using the equity method									
USD	2,135	29.726	63,472	2,251	27.69	62,330	2,055	27.87	57,274
RMB	144,449	4.44	641,352	143,697	4.3476	624,736	112,459	4.3155	485,315
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	4,715	29.726	140,158	5,738	27.69	158,885	20,663	27.87	575,878
RMB	25,759	4.44	114,370	24,929	4.3476	108,381	10,467	4.3155	45,170

For the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, net realized and unrealized foreign exchange gains (losses) were \$23,797 thousand, \$(14,309) thousand, \$55,000 thousand and \$(3,266) thousand, respectively. It is impractical to disclose net foreign exchange (losses) gains by each significant foreign currency due to the variety of the foreign currency transactions.

33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 2)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 3)
- 9) Trading in derivative instruments (Note 7)
- 10) Intercompany relationships and significant intercompany transactions (Table 4)

b. Information about reinvestment

Information on investees (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 6):
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes.

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services.
- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 7)

34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the geographical segments as its operating segments. The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Taiwan segment - Prosperity Dielectrics Co., Ltd.
 - PDC Prime Holdings Limited
 - Frontec International Corporation
 - PDC Success Investments Ltd.

China segment - PDC Electronics (Suzhou) Co., Ltd.
 - Dongguan Frontier Electronics Co., Ltd.
 - Hunan Frontier Electronics Co., Ltd.
 - Frontier Components Co., Limited
 - Prosperity International Development (HK) Co., Limited
 - Prosperity Frontier Electronics (Shenzhen) Co., Ltd.
 - Prosperity Frontier Electronics (Guangzhou) Co., Ltd.

a. Segment revenue and results

The following tables detail the Group's segment revenue and results by reportable segments for the six months ended June 30, 2022 and 2021.

	For the Six Months Ended June 30, 2022			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Net sales	\$ 2,227,299	\$ 781,045	\$ (562,471)	\$ 2,445,873
Cost of sales	(1,579,257)	(757,751)	553,585	(1,783,423)
Unrealized gain on inter-affiliate accounts	(17,025)	-	17,025	-
Gross profit	631,017	23,294	8,139	662,450
Operating expenses	(163,355)	(14,975)	(8,000)	(186,330)
Profit from operations	467,662	8,319	139	476,120
Non-operating income and expenses	18,446	4,510	3,337	26,293
Profit before income tax	<u>\$ 486,108</u>	<u>\$ 12,829</u>	<u>\$ 3,476</u>	<u>\$ 502,413</u>

For the Six Months Ended June 30, 2021

	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Net sales	\$ 2,476,647	\$ 2,024,211	\$ (1,411,781)	\$ 3,089,077
Cost of sales	(1,831,710)	(1,888,825)	1,421,513	(2,299,022)
Unrealized gain on inter-affiliate accounts	<u>1,627</u>	<u>-</u>	<u>(1,627)</u>	<u>-</u>
Gross profit	646,564	135,386	8,105	790,055
Operating expenses	<u>(179,190)</u>	<u>(20,699)</u>	<u>(8,000)</u>	<u>(207,889)</u>
Profit from operations	467,374	114,687	105	582,166
Non-operating income and expenses	<u>136,443</u>	<u>24,831</u>	<u>(112,920)</u>	<u>48,354</u>
Profit before income tax	<u>\$ 603,817</u>	<u>\$ 139,518</u>	<u>\$ (112,815)</u>	<u>\$ 630,520</u>

b. Segment assets and liabilities

June 30, 2022

	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	\$ 1,306,639	\$ 606,148	\$ -	\$ 1,912,787
Notes and trade receivables	1,082,821	448,468	(395,754)	1,135,535
Inventories	740,598	82,341	(37,341)	785,598
Other current assets	<u>397,112</u>	<u>139,189</u>	<u>(2,222)</u>	<u>534,079</u>
Total current assets	<u>3,527,170</u>	<u>1,276,146</u>	<u>(435,317)</u>	<u>4,367,999</u>
Financial assets at FVTOCI - non-current	1,106,032	-	-	1,106,032
Investments accounted for using the equity method	1,815,246	704,824	(1,687,817)	832,253
Property, plant and equipment	2,035,529	114,029	-	2,149,558
Other non-current assets	<u>231,132</u>	<u>177,680</u>	<u>-</u>	<u>408,812</u>
Total assets	<u>\$ 8,715,109</u>	<u>\$ 2,272,679</u>	<u>\$ (2,123,134)</u>	<u>\$ 8,864,654</u>

December 31, 2021

	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	\$ 807,520	\$ 504,678	\$ -	\$ 1,312,198
Notes and trade receivables	1,028,180	553,477	(451,781)	1,129,876
Inventories	765,326	75,560	(20,316)	820,570
Other current assets	<u>515,508</u>	<u>380,628</u>	<u>(972)</u>	<u>895,164</u>
Total current assets	<u>3,116,534</u>	<u>1,514,343</u>	<u>(473,069)</u>	<u>4,157,808</u>
Financial assets at FVTOCI - non-current	1,607,074	-	-	1,607,074
Investments accounted for using the equity method	1,891,268	687,066	(1,744,111)	834,223
Property, plant and equipment	2,093,893	124,781	-	2,218,674
Other non-current assets	<u>204,518</u>	<u>63,819</u>	<u>-</u>	<u>268,337</u>
Total assets	<u>\$ 8,913,287</u>	<u>\$ 2,390,009</u>	<u>\$ (2,217,180)</u>	<u>\$ 9,086,116</u>

	June 30, 2021			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Cash and cash equivalents	\$ 805,864	\$ 710,183	\$ -	\$ 1,516,047
Notes and trade receivables	1,171,916	965,404	(759,163)	1,378,157
Inventories	717,143	47,563	(10,874)	753,832
Other current assets	<u>527,170</u>	<u>146,805</u>	<u>(2,205)</u>	<u>671,770</u>
Total current assets	<u>3,222,093</u>	<u>1,869,955</u>	<u>(772,242)</u>	<u>4,319,806</u>
Financial assets at FVTOCI - non-current	1,540,654	-	-	1,540,654
Investments accounted for using the equity method	1,675,449	542,589	(1,563,523)	654,515
Property, plant and equipment	1,940,264	130,078	-	2,070,342
Other non-current assets	<u>198,844</u>	<u>195,696</u>	<u>-</u>	<u>394,540</u>
Total assets	<u>\$ 8,577,304</u>	<u>\$ 2,738,318</u>	<u>\$ (2,335,765)</u>	<u>\$ 8,979,857</u>

	June 30, 2022			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	\$ 1,522,024	\$ 538,283	\$ (397,976)	\$ 1,662,331
Guarantee deposits received	15,168	8,385	-	23,553
Deferred income tax liabilities	165,307	-	-	165,307
Other non-current liabilities	<u>884,958</u>	<u>7,542</u>	<u>-</u>	<u>892,500</u>
Total liabilities	<u>\$ 2,587,457</u>	<u>\$ 554,210</u>	<u>\$ (397,976)</u>	<u>\$ 2,743,691</u>

	December 31, 2021			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	\$ 1,309,189	\$ 618,953	\$ (452,753)	\$ 1,475,389
Guarantee deposits received	16,946	8,288	-	25,234
Deferred income tax liabilities	178,518	-	-	178,518
Other non-current liabilities	<u>1,027,678</u>	<u>4,511</u>	<u>-</u>	<u>1,032,189</u>
Total liabilities	<u>\$ 2,532,331</u>	<u>\$ 631,752</u>	<u>\$ (452,753)</u>	<u>\$ 2,711,330</u>

	June 30, 2021			
	Taiwan Segment	China Segment	Adjustments and Eliminations	Total
Total current liabilities	\$ 1,410,927	\$ 1,155,078	\$ (761,369)	\$ 1,804,636
Guarantee deposits received	16,946	9,936	-	26,882
Deferred income tax liabilities	142,833	-	-	142,833
Other non-current liabilities	<u>970,672</u>	<u>5,117</u>	<u>-</u>	<u>975,789</u>
Total liabilities	<u>\$ 2,541,378</u>	<u>\$ 1,170,131</u>	<u>\$ (761,369)</u>	<u>\$ 2,950,140</u>

All intercompany transactions had been eliminated upon consolidation.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	June 30, 2022				Note	
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value		
Prosperity Dielectrics Co., Ltd.	<u>Listed shares</u>								
	Walton Advanced Engineering Inc.	The chairman of the securities issuer is the same as the Company's	Financial assets at fair value through other comprehensive income - non-current	31,915,536	\$ 389,369	6.12	\$ 389,369		
	Walsin Lihwa Corporation	The chairman of the securities issuer is the second degree of kinship of the Company	"	7,000,000	252,350	0.20	252,350		
	HannStar Board Corporation	The chairman of the securities issuer is the same as the Company's	"	5,668,332	179,403	1.07	179,403		
	Singatron Enterprise Co., Ltd.	None	"	301,031	6,021	0.25	6,021		
	APAQ Technology Co., Ltd.	"	"	739,000	36,285	0.83	36,285		
	Fubon Financial Holding Co., Ltd. Preferred Shares C	"	"	500,000	29,650	-	29,650		
	APAQ Technology Co., Ltd.	"	Financial assets at fair value through profit or loss - current	4,541,000	222,963	5.10	222,963		
	Chunghwa Telecom Co., Ltd.	"	"	400,000	48,800	0.01	48,800		
	Taiwan Semiconductor Manufacturing Co., Ltd.	"	"	35,000	16,660	-	16,660		
		<u>Shares</u>							
		Chin-Xin Investment Co., Ltd.	The chairman of the securities issuer is the second degree of kinship of the Company	Financial assets at fair value through other comprehensive income - non-current	3,500,000	134,151	0.72	134,151	
		Hwa Bao Botanic Conservation Corp.	"	"	8,000,000	78,803	10.00	78,803	
Dongguan Frontier Electronics Co., Ltd.	<u>Treasury bonds</u>								
	2022 Book-entry 9th Treasury Coupon Bonds	None	Financial assets at fair value through profit or loss - current	99,750	44,449	-	44,449		
PDC Electronics (Suzhou) Co., Ltd.	<u>Mutual funds</u>								
	GF Money Market Fund B	None	Financial assets at fair value through profit or loss - current	-	22,660	-	22,660		
	CCB Principal Profit Raise Money Market ETF Fund A	"	"	-	13,335	-	13,335		
Frontier Components Co., Limited	<u>Corporate bonds</u>								
	TSMC Arizona Corp.	None	Financial assets at amortized cost - non-current	3,000,000	89,081	-	89,081		
	Amazon.com, Inc.	"	"	2,000,000	58,281	-	58,281		

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchases/Sales	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Indirectly owned second-tier subsidiary	Sales	\$ (278,727)	(13)	No significant difference with third parties	-	-	Trade receivables \$ 217,768	20	
	Walsin Technology Corporation	Parent company	Sales	(561,976)	(25)	"	-	-	Trade receivables 194,392	18	
	Walsin Technology Corporation	Parent company	Purchases	264,342	28	"	-	-	Trade payables -	-	
Frontier Components Co., Limited	Prosperity Dielectrics Co., Ltd.	Parent company	Purchases	278,727	93	"	-	-	Trade payables (217,768)	(83)	
	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Sales	(210,485)	(70)	"	-	-	Trade receivables 125,940	70	
Dongguan Frontier Electronics Co., Ltd.	Frontier Components Co., Limited	Parent company	Purchases	210,485	60	"	-	-	Trade payables (125,940)	(64)	
	Dongguan Walsin Technology Electronics Co., Ltd.	PDC's parent company indirectly owned second-tier subsidiary	Purchases	127,389	36	"	-	-	Trade payables (65,174)	(33)	

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss	
					Amount	Actions Taken			
Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited Walsin Technology Corporation	Indirectly owned second-tier subsidiary Parent company	Trade receivables	\$ 217,768	2.52	\$ -	-	\$ 70,146	\$ -
			Trade receivables	194,392	5.78	-	-	92,877	-
Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	100% owned subsidiary	Trade receivables	125,940	2.93	-	-	48,355	-

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
0	Prosperity Dielectrics Co., Ltd.	Frontier Components Co., Limited	Parent company to subsidiary	Sales	\$ 278,727	No significant difference with third parties	11
				Trade receivables	217,768		2
		Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Parent company to subsidiary	Purchases	51,522		2
				Trade payables	31,281		-
1	Frontier Components Co., Limited	Dongguan Frontier Electronics Co., Ltd.	Subsidiary to subsidiary	Sales	210,485	9	
				Trade receivables	125,940	1	

Note 1: The investee company is represented in the number column as follows:

- a. The parent company is numbered "0".
- b. The subsidiaries are numbered consecutively from "1" in the order presented in the table above.

Note 2: There are three natures of relationships regarding the flow of transactions (in the case of the same transaction between the parent company and its subsidiary or between subsidiaries, there is no need to repeat disclosure. For example: If the parent company has disclosed the transaction between the parent company and the subsidiary, the subsidiary does not need to be disclosed. If a subsidiary has disclosed the transaction between the other subsidiary and itself, the other subsidiary does not need to be disclosed).

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: The transaction amount as a percentage of the consolidated total revenue or total assets is calculated as follows: For balance sheet items, each item's period-end balance is shown as a percentage of consolidated total assets as of June 30, 2022. For profit or loss items, cumulative amounts are shown as a percentage of consolidated total operating revenue for the six months ended June 30, 2022.

Note 4: The decision whether or not to disclose the significant intercompany transactions was made based on the principle of materiality.

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES

FOR THE SIX MONTHS ENDED JUNE 30, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Prosperity Dielectrics Co., Ltd.	PDC Prime Holdings Limited Frontec International Corporation	Samoa	Investment holding	\$ 728,456	\$ 728,456	23,464,538	100	\$ 1,590,941	\$ (5,250)	\$ (5,250)	
		British Virgin Islands	Overseas investment	327,140	327,140	8,221,615	100	134,218	1,773	1,773	
	Tsai Yi Corporation Joyin Co., Ltd.	Taiwan	Investment holding	51,928	51,928	4,934,995	3.36	78,579	(21,822)	(734)	
		Taiwan	Manufacturing of electronic components	54,252	47,073	3,138,102	4.02	48,850	(45,331)	(1,823)	
PDC Prime Holdings Limited	PDC Success Investments Ltd. Frontier Components Co., Limited	Republic of Mauritius	Investment holding	387,932	387,932	12,009,000	100	778,957	12,332	12,332	
		Hong Kong	International trade	267,564 (Note 2)	267,564 (Note 2)	70,036,752	100	742,240	(17,227)	(17,227)	
	Prosperity International Development (HK) Co., Ltd.	Hong Kong	Investment holding	71,372 (Note 2)	71,372 (Note 2)	2,401,000	100	63,496	(207)	(207)	
Prosperity International Development (HK) Co., Ltd.	GHPW Enterprise Corporation (HK) Limited	Hong Kong	Investment holding	71,342 (Note 2)	71,342 (Note 2)	2,400,000	10	63,472	(2,074)	(207)	

Note 1: For the information on investees in mainland China, refer to Table 6.

Note 2: The closing exchange rate as of June 30, 2022 was used to convert the foreign currencies into New Taiwan dollars. The closing exchange rate as of June 30, 2022 was US\$ to NT\$ = 1:29.726

PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA OF PROSPERITY DIELECTRICS CO., LTD.
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2022 (Note 3)	Accumulated Repatriation of Investment Income as of June 30, 2022
					Outward	Inward						
PDC Electronics (Suzhou) Co., Ltd.	Manufacturing of electronic parts and ceramic components	\$ 356,712 (US\$ 12,000,000)	Note 1	\$ 356,712 (US\$ 12,000,000)	\$ -	\$ -	\$ 356,712 (US\$ 12,000,000)	\$ 12,310	100	\$ 12,310	\$ 778,684	\$ 153,990 (US\$ 5,180,313)
Dongguan Frontier Electronics Co., Ltd.	Selling of electronic components	181,329 (US\$ 6,100,000)	Note 1	181,329 (US\$ 6,100,000)	-	-	181,329 (US\$ 6,100,000)	6,027	100	6,027	249,891	97,477 (US\$ 3,279,186)
Chongqing Shuohong Investment Co., Ltd.	Investment management, investment consultation services	2,353,200 (RMB 530,000,000) (Note 4)	Note 1	-	-	-	-	15,205	20.43	3,106	595,445	-
Chongqing Xincheng Electronic Co., Ltd.	Selling of electronic components, real estate investment and leasing	240,302 (RMB 54,122,000) (Note 5)	Note 1	-	-	-	-	1,732	13.04	226	45,907	-
GHPW Enterprise Corporation (Chongqing) Limited	Business consultations, business management, consultation services and property management	713,424 (US\$ 24,000,000)	Note 1	71,342 (US\$ 2,400,000)	-	-	71,342 (US\$ 2,400,000)	(2,037)	10	(204)	63,393	-
Prosperity Frontier Electronics (Shenzhen) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	178,356 (US\$ 6,000,000)	Note 1	167,707 (US\$ 5,641,768)	-	-	167,707 (US\$ 5,641,768)	1,761	100	1,761	134,051	-
Prosperity Frontier Electronics (Guangzhou) Co., Ltd.	Manufacturing and selling of chip components, power electronic devices and new electronic components	4,440 (RMB 1,000,000) (Note 6)	Note 1	-	-	-	-	(666)	100	(666)	2,988	-

Note 1: Investment in mainland China companies through an existing company established in a third region.

Note 2: Based on the financial statements of the investee companies reviewed by the attesting CPA of the parent company in Taiwan.

Note 3: The average exchange rate as of June 30, 2022 is used to convert the foreign currencies into New Taiwan dollars except for the investment gains and losses of the current period (converted at the average exchange rate of the six months ended June 30, 2022) if the relevant figures in this table involve foreign currencies.

Note 4: Investment amount of RMB 108,290,000 was made using PDC Electronics (Suzhou) Co., Ltd.'s own capital.

Note 5: Investment amount of RMB 7,055,500 was made using Frontier Electronic (Chong Qing) Co., Ltd.'s own capital, which has been transferred to Dongguan Frontier Electronics Co., Ltd. in December 2017.

Note 6: Investment of RMB 1,000,000 was made using Dongguan Frontier Electronics Co., Ltd.'s own capital.

(Continued)

2. Investment quota for mainland China:

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 873,249 (US\$ 29,376,590)	\$ 1,011,271 (US\$ 34,019,762)	(Note 2)

Note 1: The average exchange rates as of June 30, 2021 are as follows:

US\$ to NT\$ = 1:29.726
RMB to NT\$ = 1:4.4

The average exchange rates for the six months ended June 30, 2021 are as follows:

US\$ to NT\$ = 1:28.725
RMB to NT\$ = 1:4.4322

Note 2: The Company has obtained the operational headquarters certification document approved by the Industrial Development Bureau of the Ministry of Economic Affairs and is exempt from the “Regulations Governing the Examination of Investment or Technical Cooperation in mainland China”.

3. Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: Table 4
4. Circumstances in which investee mainland China companies in provide endorsements, guarantees or collaterals directly or indirectly through third-region enterprises: None.
5. Circumstances of financing provided with investee mainland China companies directly or indirectly through a third region: None.
6. Other transactions that have a material effect on the current profit and loss or financial status: None.

(Concluded)

TABLE 7**PROSPERITY DIELECTRICS CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****JUNE 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Walsin Technology Corporation	74,186,468	43.13